

### ***Caution: DRAFT FORM***

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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

**Investment Interest Expense Deduction**

► Attach to your tax return.

Identifying number

**Part I Total Investment Interest Expense**

1	Investment interest expense paid or accrued in 2003 (see instructions)	1		
2	Disallowed investment interest expense from 2002 Form 4952, line 7	2		
3	<b>Total investment interest expense.</b> Add lines 1 and 2	3		

**Part II Net Investment Income**

4a	Gross income from property held for investment (excluding any net gain from the disposition of property held for investment)	4a			
b	Qualified dividends included on line 4a	4b			
c	Subtract line 4b from line 4a	4c			
d	Net gain from the disposition of property held for investment	4d			
e	Enter the <b>smaller</b> of line 4d or your net capital gain from the disposition of property held for investment ►	4e			
f	Subtract line 4e from line 4d	4f			
g	Enter the amount from line 4b and 4e that you elect to include in investment income (see instructions). ►	4g			
h	Investment income. Add lines 4c, 4f, and 4g	4h			
5	Investment expenses (see instructions)	5			
6	<b>Net investment income.</b> Subtract line 5 from line 4h. If zero or less, enter -0-	6			

**Part III Investment Interest Expense Deduction**

7	Disallowed investment interest expense to be carried forward to 2004. Subtract line 6 from line 3. If zero or less, enter -0-	7		
8	<b>Investment interest expense deduction.</b> Enter the <b>smaller</b> of line 3 or 6. See instructions	8		

Section references are to the Internal Revenue Code unless otherwise noted.

**General Instructions****A Change To Note**

In general, qualified dividends are excluded from investment income. But, you can make an election on Form 4952, line 4g, to include qualified dividends in investment income. See the instructions for line 4g for more details.

**Purpose of Form**

Use Form 4952 to figure the amount of investment interest expense you can deduct for 2003 and the amount you can carry forward to future years. Your investment interest expense deduction is limited to your net investment income.

For more information, see **Pub. 550**, Investment Income and Expenses.

**Who Must File**

If you are an individual, estate, or a trust, you must file Form 4952 to claim a deduction for your investment interest expense.

**Exception.** You do not have to file Form 4952 if all of the following apply.

- Your investment interest expense is not more than your investment income from interest and ordinary dividends minus any qualified dividends.
- You have no other deductible investment expenses.
- You have no disallowed investment interest expense from 2002.

**Allocation of Interest Expense**

If you paid or accrued interest on a loan and used the loan proceeds for more than one purpose, you may have to allocate the interest. This is necessary because different rules apply to investment interest, personal interest, trade or

business interest, home mortgage interest, and passive activity interest. See **Pub. 535**, Business Expenses.

**Specific Instructions****Part I—Total Investment Interest Expense****Line 1**

Enter the investment interest expense paid or accrued during the tax year, regardless of when you incurred the indebtedness. **Investment interest expense** is interest paid or accrued on a loan or part of a loan that is allocable to property held for investment (as defined on page 2).

Include investment interest expense reported to you on Schedule K-1 from a partnership or an S corporation. Include amortization of bond premium on taxable bonds purchased after